

MEMORANDUM

June 19, 1980

TO: The Boston Redevelopment Authority

3952
6/19

FROM: Robert J. Ryan, Director

SUBJECT: Financial Summary

The purpose of this memorandum is to provide an executive summary to the Authority members concerning past, present, and future financial issues and the demonstration to the Authority of the facts which have required and will continue to require personnel reductions.

On June 5, 1980 you were presented an informational memorandum on staff reductions. The major issues raised were:

- A labor force reduction policy has been in force for six months with retirements, resignations, layoffs, and attrition resulting in fifty individuals off the payroll and a saving of approximately \$1 million for personnel and fringe requirements.
- The overall administrative budget of the Authority is planned to go from over \$10 million to \$6.5 million by fiscal 1982. This is a 35% requirement.

Reasons provided are:

- a) the institutional changes via the Congress and H.U.D. as to the close out of all urban renewal projects and their attendant funding.
- b) the loss of Urgent Needs funding in the future.
- c) the loss of Community Development Block Grant funds.
- d) the reduction in the number of properties generating leased income.
- e) that new federal programs have frequently allowed for \$-0- administrative compensation for carrying out major capital program activities (such as the \$26 million in Environmental Protection Agency funds for Water and Sewer work).
- f) that no compensation from the City Operating budget for the Development Planning, Policy and Negotiation and Tax work which has become so large a part of the agency's agenda.
- g) that no compensation from the City Capital budget for the planning, implementation, and contracts management responsibilities inherent in the annual allocation to the Authority.

As the Authority entered fiscal year 1980 on July 1, 1979 many decisions were yet to be made on the financeability of the agency. The Director determined that deficits would occur in the agency and as such required the development of a financial strategy for fiscal 1980. Subsequently, the decision was made to absorb reductions and modify organizational roles and responsibilities of the BRA over the course of fiscal years 1980, 1981, and 1982. The fiscal strategy called

for labor reduction options to be implemented during fiscal year 1981 at a \$5,750,000 level down 26% from the \$7,750,000 level of fiscal 1980. A specific condition to this submission highlighted the assumptions that:

- a) these figures assumed a 100 person reduction in BRA staff by July 1, 1980, and
- b) that the summary did not reflect the need to acquire new skills and new talent in the agency particularly in the development, design, financial management, and data processing areas.

A review of the agency highlighted functions, staffs, and individuals who could be terminated from the Authority. This is an ongoing review conducted at my direction. The most apparent shift is from administering publicly funded urban renewal projects to coordinating and managing privately initiated and financed development. This requires a smaller organization with different staff than in the past.

In years past, where a few direct sources accounted for the overall administration of the agency, the Authority has moved to a position where roughly twenty different sources are programmed during fiscal 1980 to account for all personnel, fringe, overhead, and various professional service contract activities. Apart from federal sources which will be competitively sought, and by no means guaranteed, over fiscal year 1981 and 1982 the Authority will need to live within its means which are projected to be 35% less in 1980 dollars two years from now. The Authority will be dependent upon less than 10 predictable sources of which three sources are 1980 sources programmed over three fiscal years. By fiscal year 1983 (July 1, 1982) the Authority will be dependent upon the City Operating and Capital budgets for virtually all of its administrative monies. Various property incomes which are predictable, and competitive grants with administrative allowances, which are not, are expected to make up the difference. Both the Authority and the City need to plan for this fact.

Finally, in the submission to the City, forecasting a \$5,750,000 Personnel and Fringe expenditure rate a \$550,000 deficit was forecast. The forecast was made in the reasonable expectation that various program administrative allowances, primarily from federal grant programs, would make up the difference or further cost cuts and personnel cuts would be required. When you now take into account the fact that our expenditure rate for personnel and fringe will be \$1 million higher than required (as indicated in your June 5, 1980 memorandum) the absolute need for at least one more set of layoffs, possibly two, in the first six months of fiscal 1981 will be necessary to control costs and avoid deficit spending.

FISCAL 1980 ADMINISTRATIVE DEMAND

Cost Categories

1.	Personnel and Fringe	\$ 7,750,000	(77%)
2.	Overhead	750,000	(8%)
3.	Contract Services	1,537,190	(15%)
4.	Administrative Contingency - Unbudgeted in 1980	<u>-0-</u>	
	TOTAL	\$10,037,190	(100%)

ADMINISTRATIVE BUDGET - FISCAL 1980 PLAN

Revenue Sources ,	Total	%	Personnel and Fringe	Overhead	Professional Services
1. City Operating	2,300,000	23	2,183,000	16,500	100,500
2. City Capital Administrative	1,800,000	18	1,338,000	150,000	312,000
3. Urgent Needs III	646,917	6.5	538,544	48,373	60,000
4. Disposition Gross	620,000	6	460,000	53,642	106,358
5. Disposition Net	2,555,696	25.5	1,804,096	132,900	618,700
6. Leased Property-Net	600,000	6	450,000	150,000	-0-
7. CDBG-Open Space	402,260	4	390,260	12,000	-0-
8. UDAG navy Yard	112,000	1	64,000	48,000	-0-
9. H.U.D. Tax Policy	70,000	<1	30,000	15,000	25,000
10. H.U.D. Neighborhood Resource Project	14,175	<1	10,320	3,855	-0-
11. A.Q.T.A.	292,005	3	72,475	30,898	188,632
12. UMTA - TTIP	262,700	2.7	100,700	36,000	126,000
13. UMTA Technical Assistance	15,937	<1	13,229	2,708	-0-
14. C.E.T.A.	106,850	1	106,850	-0-	-0-
15. EDA 302 FY79 CF	37,500	<1	30,992	6,508	-0-
16. EDA 302(a)	112,500	1	97,634	14,866	-0-
17. M.D.C.	19,900	<1	19,900	-0-	-0-
18. M.P.W.D.	68,750	<1	40,000	28,750	-0-
TOTAL	10,037,190	100	7,750,000	750,000	1,537,190
Demand	10,037,190	100	7,750,000	750,000	1,537,190
Net	-0-		-0-	-0-	-0-

FISCAL 1981 ADMINISTRATIVE DEMAND

Cost Categories

1. Personnel and Fringe	\$5,750,000
2. Overhead	600,000
3. Professional Services	1,000,000
4. Contingency - Unbudgeted	<u>-0-</u>
TOTAL	\$7,350,000

Assumes a reduction in the overall administrative budget from fiscal 1980 to fiscal 1981 of \$2,687,190 or 27%.

Assumes a reduction in BRA labor force of 100 employees or greater than 30%.

This summary does not reflect the need for new Development staff at the BRA. Therefore, the financial requirements of that new staff are not financially accounted for in this summary.

ADMINISTRATIVE BUDGET - FISCAL 1981 PLAN

Revenue Sources	Total	Personnel and Fringe	Overhead	Professional Services
1. City Operating	2,660,370	2,500,870	60,000	100,500
2. City Capital - Adm.	1,925,000	1,385,000	190,000	350,000
3. Urgent Needs III	639,336	500,000	48,768	90,568
4. Disposition - Net	409,182	327,345	28,642	53,195
5. Disposition - Net South Station/Bedford West	722,500	600,000	52,500	70,000
6. Leased Property - Net	300,000	250,000	50,000	-0-
7. Air Quality	141,995	35,000	13,277	93,718
Subtotal	6,799,383	5,598,215	443,187	757,981
Demand	7,350,000	5,750,000	600,000	1,000,000
Net	(550,617)	(151,785)	(156,813)	(242,019)

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M E M O R A N D U M

JUNE 5, 1980

TO: BOSTON REDEVELOPMENT AUTHORITY

FROM: ROBERT J. RYAN, DIRECTOR

SUBJECT: INFORMATIONAL MEMO ON STAFF REDUCTIONS

The personnel reductions presented to the Board today are not necessarily reflective of the professional capabilities of the individuals involved. Rather, these reductions are the direct result of major organizational changes and dwindling financial resources.

The Authority has, over the past six months, pursued a labor force reduction program. With this Board action today, a total of 50 individuals will have left the employ of the Authority through a combination of retirements, resignations, and lay offs. The annualized savings involved are more than \$1 million. Even with this reduction, an additional \$1 million in personnel cost reductions must be carried out early in the next fiscal year (starting July 1, 1980) to prevent a major deficit in the coming year.

The overall administrative budget of the Authority will have to go from \$10 million in 1980 to an estimated \$6.5 million by 1982. This is a management goal of reducing the Authority's administrative budget by 35 percent over the course of two years.

There are two major reasons for the staff reduction program:

1. Changes in Federal funding levels and procedures, and
2. The evolution of the Authority's role in carrying out its mandated tasks as city planning agency and as principal agency for coordinating and managing development.

The need to reduce the Authority staff had its origins five years ago in the decision by the Federal government to end the Federal Urban Renewal program. (The Community Development Block Grant program became a major source of funding for urban development.) Since that time, the BRA has received Urgent Needs funds for later phases of urban renewal project activities. Urgent Needs funding is also being phased out.

With the end of urban renewal, the BRA lost more than half of its traditional financial resources.

In addition, properties formerly providing rental income to the Authority have been conveyed for development. Hence, we lost another source of funding for administrative costs.

The Authority had received CDBG funds from the City, but that allocation---as much as \$4 million per year---is no longer available to us.

And much of the funding available for our renewal activities (grants from the Environmental Protection Agency, for instance), do not contain money for administrative expenses.

The evolution of the Authority's role also makes it necessary for us to reduce the numbers of people employed by the agency. The public investments made by this agency in the 1960's and 1970's have indeed borne fruit. Today there is considerable, in fact, unprecedented private investment in commercial, residential and industrial development in Boston. Managing and coordinating this development activity requires different staffing needs. The Authority, regrettably, has numerous staff in functional areas, such as engineering, family relocation, business relocation and real estate, which are not required to carry out the development agenda of the 1980's.

Reduction in our staff in no way undermines the effectiveness of the agency, nor does it signal any change in the BRA's role as the city's planning agency and as the city's principal agency for development. But the shift from administering publicly funded renewal to coordinating and managing privately financed development requires a smaller, different staff than in the past.

At one point the BRA employed almost 700 people. For several years we have operated with approximately 300 people. In the future that number may be reduced to less than 225. The agency's ability to carry out its mandated tasks has remained undiminished during other periods of staff reduction and I am confident that our level of competence and commitment will not be adversely affected by this latest reduction in staff.

At the same time, it should be noted that the actions today are necessary because of events over which we have little or no control. I want to add that the staff reduction should in no way be construed as a reflection of the competence and dedication of those individuals affected.

